

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF COMMUNITY AFFAIRS
HOME Investment Partnerships Program**

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September 15, 2003

**NOTICE TO ALL POTENTIAL APPLICANTS
RE: NOTICE OF FUNDING AVAILABILITY**

HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM

I am pleased to announce the availability of Federal Fiscal Year 2003 and 2004 funds for the HOME Investment Partnerships (HOME) Program authorized by Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990.

Enclosed please find the NOFA for approximately \$75 million. The availability of these funds is subject to an award of funds to the Department of Housing & Community Development (Department) from the Department of Housing & Urban Development (HUD). **Please note that the application deadline is November 17, 2003.**

If you are considering submitting an application for these funds, you may request a copy of the 2003 State HOME Program Application Form, the 2003 HOME Application Training Manual, and the federal and State HOME regulations. All of these documents will be available at the Application Training Workshops scheduled for October. I encourage you to attend a workshop before proceeding with an application.

Please review the Application and the Application Training Manual carefully before submitting the application to the HOME Program. Application preparation workshops will be held in Sacramento to assist potential applicants. The workshop schedule is included in the NOFA, along with a registration form for the workshops. Advance registration is required to ensure adequate seating and materials, and to receive the specific workshop directions. If you have already sent in your registration form in response to the Preliminary Notice of 2003 HOME NOFA mailed out in late August, then you do not need to send in another.

If you have any questions regarding the application for HOME Funds, require assistance in completing your application, or would like to receive a copy of the documents discussed above, please contact program staff at (916) 322-0356.

We look forward to working with you on this program.

Sincerely,

William J. Pavão
Deputy Director

NOTICE OF FUNDING AVAILABILITY (NOFA)
HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM

September 15, 2003

The California Department of Housing and Community Development (Department) is pleased to announce that it is accepting applications under the Home Investment Partnerships Program (HOME), for funds authorized by Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990.

The Department provides HOME funding from the federal government to eligible local governments (State Recipients) and non-profit organizations certified with the State as Community Housing Development Organizations (CHDOs).

The following housing activities are eligible under the HOME Program: (1) New Construction; (2) Acquisition; (3) Rehabilitation; and (4) Tenant-Based Rental Assistance. CHDOs are eligible for activities in which the CHDO is able to act as sponsor, owner or developer, as required by federal regulations.

Under this NOFA, approximately \$75 million is available for awards. The \$75 million represents approximately half of the State HOME Federal Fiscal Year (FFY) 2003 allocation and approximately half of the FFY 2004 State HOME allocation. Applicants will be funded in rank order. Those rated highest will be funded from the State's FFY 2003 allocation until all the funds from that year's allocation have been awarded. Those applicants scoring lower will be awarded funds from the FFY 2004 allocation. Although funding announcements will all be made in early February 2004, the State Standard Agreements will be issued in two major cycles. Those applicants ranking high enough to receive funding from the FFY 2003 allocation will receive their State Standard Agreements in April and May 2004. Those applicants being awarded funds from the FFY 2004 allocation will not receive a State Standard Agreement until after the State has executed a contract with HUD for the FFY 2004 allocation. It is anticipated that this will occur in July or August of 2004.

The availability and use of these funds is subject to the State HOME Regulations and the federal Final Rule governing the program. A minimum of 15 percent of the total allocation of HOME Funds is set-aside for use by CHDOs. Under this NOFA, the total commitment to a State Recipient (local jurisdiction) or CHDO may not exceed the amount described for the HOME-eligible activities. A State Recipient and CHDO may each apply for programs or projects within the same jurisdiction, but only one application may be submitted for the same project within one jurisdiction. No more than one application per eligible applicant may be submitted.

This NOFA and all applications under this NOFA are governed by State HOME Regulations dated March 14, 1997, as amended December 19, 2001, and federal Final HOME Rule dated September 16, 1996, as amended. However, if the federal or State statutes or regulations governing the program or its funding are modified by Congress, the Department of Housing and Urban Development (HUD), the State Legislature, or the Department prior to completion of work under the local HOME Program, the changes may become effective immediately and apply to the activities funded under this NOFA.

The State HOME Program has planned regulation changes that are expected to be published for comment during Fall 2003. The proposed HOME Program regulatory text will be available soon on the HOME web site at www.hcd.ca.gov/ca/home/. Please note that the HOME contract requirements will be subject to the regulations in effect at the time the contracts are executed.

Please also be advised that rental projects funded from the 2003 HOME NOFA will be subject to the Department's new Uniform Multifamily Regulations (commencing with Section 8300) available as Appendix H in the HOME Application Training Manual. Appendix H represents the regulations the Department submitted to the State Office of Administrative Law for final review and approval. The final Uniform Multifamily Regulations will be published on the State HOME Program website www.hcd.ca.gov/ca/home/ when the State Rulemaking Process is completed. If there is a conflict between requirements in any of the identified documentation required for completion of the State HOME Program Application and the State Uniform Multifamily Regulations, the State Uniform Multifamily Regulations will take precedence in all cases.

This NOFA does not include the text of the various applicable regulatory provisions that may be important to particular local HOME programs. For proper completion of the application, the Department **strongly** encourages potential applicants to study the State and federal regulations (including the new State Uniform Multifamily Regulations), and the 2003 Application Training Manual and to attend an Application Training Workshop. *If you prepare an application without reading the Training Manual, it is likely that you will miss some important instructions, which could result in loss of points or not being funded.*

HOME staff is available to discuss program requirements and to assist you with suggestions for preparing an application. A list of the HOME Representatives and their field assignments is included as Appendix B.

THE APPLICATION PROCEDURES, FINAL FILING DEADLINE, AND AWARD ANNOUNCEMENTS

Two original applications must be received by the Department **no later than 5:00 p.m.** on **November 17, 2003**. Each applicant will have only ONE opportunity to submit their application. Once the application is submitted, no additional or corrected material may be submitted, whether by facsimile, mail or in person except as otherwise noted in this NOFA. Applicants are strongly advised to ensure that their application is in final form before it is submitted to the Department.

Applications mailed via the U.S. Postal Service must be mailed to:

Department of Housing & Community Development
Division of Community Affairs
HOME Program
P.O. Box 952054, Suite 390-3
Sacramento, CA 94252-2054

Applications sent using private carriers or delivered in person must be received by the HOME Program no later than 5:00 p.m. on November 17, 2003. If applications are personally delivered, the receptionist will date stamp the application and provide a receipt as proof of delivery. The delivery address is:

Department of Housing & Community Development
Division of Community Affairs
HOME Program
1800 Third Street, Room 390
Sacramento, CA 95814

Applications that do not meet the filing deadline requirements will be returned to the applicant. Applications must be on the forms provided by the Department and these forms cannot be altered or modified by the applicant.

Applicants for CHDO certification (and CHDOs which have a certification that will expire before the NOFA final filing date) must have their certification documents received by the Department for review no later than November 17, 2003 to enable staff sufficient time to evaluate the documents.

It is the applicant's responsibility to ensure that its application is clear, complete, and accurate in all respects, and that it is received by the Department on or before the final filing deadline. After the application deadline, HOME staff may contact applicants to ask where in the application specific information is located. In addition, the Department may, in its sole discretion, request an applicant to supply clarifying information provided that such information does not affect the competitive rating and ranking of the application or improve the substantive quality of the application. No information, whether written or oral, will be accepted if the provision of such information would result in a competitive advantage to the applicant or a competitive disadvantage to other applicants.

Notwithstanding the preceding, the Department may consider the funding decision of the Department's other programs, including the Multifamily Housing Program, in assigning scores to HOME applicants.

Awards are scheduled to be announced during the second week of February 2004.

PROGRAM DEFINITIONS

Several of the terms used in the HOME Program have specific meanings defined by federal and/or State HOME Regulations. When reviewing this NOFA and the application forms, carefully review the regulations for definitions and terms.

ELIGIBLE APPLICANTS

Applications will be accepted only from:

- Cities and counties which have not been designated as participating jurisdictions by HUD;
- Cities which are not participants in an urban county agreement with a county which is a HUD participating jurisdiction;

- Cities and counties which are not participants in a HOME consortium; and
- CHDOs with a current State certification that are proposing activities located in eligible cities or counties as described above that are included in the CHDOs approved service area. All non-profit applicants that are currently certified by the Department as CHDOs by November 17, 2003 application deadline shall be considered eligible to apply for funding as a CHDO. All CHDO certification or recertification applications, or applications for changes in the CHDO's service area, must be submitted by November 17, 2003. NOFA applications from these applicants will not be ranked nor a conditional reservation of funds set-aside until the Department approves the CHDO certification or recertification.

Activities must be located in the eligible city's incorporated area or the eligible county's unincorporated areas.

Eligible jurisdictions are listed in Appendix A. If your city or county is not on this list, but you think it should be, please submit a copy of the urban county agreement for your county indicating that your city or county was not a participant for federal fiscal year 2003 and/or 2004 funding. This documentation must be submitted to the HOME Program by October 15, 2003. A finding that your city or county is eligible for State HOME Funds will be subject to our review and consultation with HUD.

ELIGIBLE USE OF FUNDS

Except for funds used in tenant-based rental assistance, relocation payments, and for lead-based paint hazard evaluation and reduction activities (in rehabilitation of owner-occupied housing and first-time homebuyer acquisition/rehabilitation), and specified Activity Delivery Costs, all assistance shall be in the form of loans to be repaid to local HOME accounts controlled by State Recipients or the State's HOME account. At a minimum, the entire principal amount of the loan must be repaid at the end of a fixed period of time.

Please note that Activity Delivery Costs must be drawn down at the same time as Activity Costs are drawn down. If the activity is not completed and a Project Completion Report for the full amount drawn down is not filed, the Activity Delivery Costs must be repaid.

HOME Funds may also be used by a CHDO for predevelopment loans. Predevelopment loans may be used to provide technical assistance, site control, and preconstruction financing to CHDOs in the early stages of site development up to the start of unit construction. All Costs must be related to a specific HOME-eligible project or projects. The amount available for predevelopment loans is limited to ten percent of the CHDOs activity amount. These funds are intended only for situations where the predevelopment loan converts to permanent financing for the same project (i.e., this is not a revolving predevelopment loan fund).

There will be only one award of HOME Funds per project, and each project may receive funding only from one NOFA allocation. The total amount of HOME Funds per project cannot exceed the amount limited by the HUD 221(d)(3) subsidy limits and a subsidy layering review specified in 24 CFR 92.250 of the federal regulations.

INELIGIBLE USE OF FUNDS

HOME Funds cannot be used to refinance existing debt or pay for expenses incurred prior to the execution of the State Standard Agreement. HOME Funds also cannot be used for construction-only financing without completely rolling over to permanent financing.

For further ineligible uses of HOME Funds, refer to 24 CFR 92.214 of the federal regulations. If an application is submitted proposing an ineligible use of HOME Funds, only that portion of the application proposing eligible activities, if any, will be rated and eligible for funding.

ALLOCATION BY CATEGORY OF ACTIVITY

Funds will be allocated based on the category of activity (i.e., projects or programs). Applications for projects will only compete against other applications for projects, and applications for programs will only compete against other applications for programs. The percentage of HOME funding allocated to each category will be based on the actual application demand (in dollars) for each category received in response to the 2003 NOFA. In no event shall either category receive less than 40% of the total allocation, unless one allocation is undersubscribed, then the remaining funds will be transferred to the other allocation.

Applicants may submit an application combining a project and a program. The program portion of the application will be rated and ranked and funded from the program allocation, while the project portion will be evaluated and funded from the project allocation. This means that for an application proposing a program and a project, only one or both activities could be funded, or neither could be funded.

MAXIMUM APPLICATION AMOUNT (Including Administration and Project Costs, including Activity Delivery Costs)

The individual application limits are:

\$250,000:	Attachment 9 (Tenant-Based Rental Assistance)
\$400,000:	Attachments 4, 5, 6, 7, 8 (Programs)
\$600,000:	Attachment 13 (First-time Homebuyer Projects)
\$1,000,000:	Attachments 10, 11, 12 (Rental Projects)
\$3,500,000:	Attachment 10 (Rental New Construction without 9% LIHTCs)

These limits also apply in applications requesting funding for two activities (see exception below for “qualified” applicants).

Rental projects assisted with HOME Funds are prohibited from receiving additional funds under this NOFA.

Applicants may apply for up to two different activities within one application. However, applicants may only apply for one project activity and the individual application limits may not be exceeded. For applications combining two activities, a list of the application limits is included as Appendix C.

The total application limit is \$200,000 higher for programs (Att. 4 - 8) for any “qualified” applicant (see definition of a “qualified” applicant, below). You are only permitted to use this \$200,000 bonus for programs if you are listed as a qualified applicant for programs.

“Qualified” applicants are determined as follows:

- Applicants are considered “qualified” for the bonus for a program application if they had a HOME program, submitted their required reports on a timely basis, and have not missed any milestones in calendar years 2000 - 2003.
- First time program applicants are also considered “qualified” for a program application bonus.

MATCH REQUIREMENTS

With the exception of funds expended on rehabilitation of owner-occupied housing, and Administration and CHDO Operations, a 25 percent match is required for all HOME Funds drawn. Sources of match and match definitions are specified in the Final HOME Rule. Please refer to 24 CFR 92.218 through 92.222 for the federal regulations governing all aspects of matching funds, and CPD Notice 97-03.

Please note that the use of State Tax Credits for match requires special attention to the requirements of CPD Notice 97-03. Please fully discuss these requirements with your HOME Representative prior to submitting an application.

TIME FRAMES FOR USE OF HOME FUNDS

HOME awardees will be subject to deadlines and expenditure milestones that are defined in the State and federal regulations and specified in the Standard Agreement.

All applications with projects (Attachments 10, 11, 12, and 13) must meet the deadlines set forth in the mutually executed Standard Agreement. All timeframes commence on the date of the award letter (scheduled for the second week of February 2004). The Department will terminate the Standard Agreement and disencumber all funds for projects that fail to meet these deadlines.

All applications with programs (Attachments 4, 5, 6, 7, 8 and 9) must meet the milestones for expenditures of Activity Funds (including Activity Delivery Funds). An expenditure counts toward the milestone only if HCD receives a valid Drawdown Request by the Milestone Date. Program expenditure milestone dates for awards made from the 2003 NOFA are on the last day of the month for the stated number of months following the date of the award letter (scheduled for the second week of February 2004).

These milestones will also be set forth in the mutually executed Standard Agreement. The Department will extend these deadlines in cases where the unexecuted Standard Agreements are not mailed by the Department to contractors within 90 days of the date of the award letter.

Program Income must be expended prior to drawing down HOME Funds. Program Income may not be “banked” or set-aside in re-use accounts. State Recipients with Program Income must take this into consideration when deciding how much to request in this funding round.

AFFORDABILITY REQUIREMENTS

All HOME-assisted housing is required to meet the minimum requirements of 24 CFR 92.250. In addition, the following requirements apply:

1. All CHDO and State Recipient rental housing projects shall have periods of affordability of 55 years, except for rental rehabilitation without acquisition.
2. Rental Rehabilitation only projects shall be:
 - 10 years for under \$15,000 of HOME Funds assistance per unit;
 - 15 years for \$15,000 to \$40,000 of HOME Funds assistance per unit; and
 - 20 years for over \$40,000 of HOME Funds assistance per unit.
3. Homeownership units shall meet the requirements of 24 CFR 92.254. The specific affordability period varies depending on the amount of HOME Funds per unit.
4. State Recipients must have an enforceable Regulatory Agreement with the rental property owner that requires compliance with all applicable HOME Program requirements for the required term of affordability, regardless of when the HOME loan is repaid. The State Recipient is required to take appropriate legal action, if necessary, to ensure continued compliance. The State Recipient cannot accept prepayment in lieu of continued affordability.

The Department, as the HUD Participating Jurisdiction, has selected the “recapture” option of recouping funds when HOME assisted homeownership housing does not continue to be the principal residence of the assisted homebuyer for the full affordability period. Note that Recaptured Funds are not Program Income and must be accounted for separately and Administrative Expenses cannot be charged against Recaptured Funds.

When rental units assisted with HOME Funds do not meet the period of affordability, either voluntarily or involuntarily, the Department or the State Recipient must “repay” these funds and they will be returned to the Federal Treasury HOME Account. Any monies resulting from rental units not meeting affordability requirements are not Program Income and must be repaid. See CPD Notice 97-09 and HOMEfires, Vol.5, No.2, June, 2003 for additional guidance regarding this matter.

INCOME ELIGIBILITY

The State HOME Program uses the Part 5 (formerly known as Section 8) definition of low-income (24 CFR Part 813), and uses the Part 5 methodology in calculating the income of beneficiaries. Please study the “Technical Guide for Determining Income and Allowances for the HOME Program,” which is available upon request.

ADMINISTRATIVE FUNDS

State Recipient applicants may request up to 2.5% percent of total requested HOME Funds for Administrative Costs. Administrative Funds plus Activity Funds (including Activity Delivery Funds) cannot the maximum HOME application amount.

CHDO applicants may request up to 8.5% of Activity Funds for CHDO Operations Funds. The maximum CHDO Operations Funds cannot exceed \$100,000. CHDO Operations Funds plus Activity Funds cannot exceed the maximum HOME application amount.

ACTIVITY DELIVERY FUNDS

In addition to Administration Funds, State Recipient applicants may also request Activity Delivery Funds for all Activities except Tenant Based Rental Assistance. These may be used for the actual implementation of the activity, must be drawn at the same time as Activity Funds, and must be repaid if the activity is not completed. See 24 CFR 92.206 (d)(6) and 92.206 (f)(2) for a description of the types of expenses which may be charged to activity delivery. Administrative Funds plus Activity Delivery Funds cannot exceed \$100,000. The maximum percent of the Activity Funds that may be used for Activity Delivery Costs are as follows:

Tenant Based Rental Assistance (Ineligible)	0 %
Owner Occupied Rehabilitation (Attachment 6)	12 %
First-Time Homebuyer Acquisition and Rehabilitation	12 %
All other Activities	6 %

MINIMUM AND MAXIMUM AMOUNTS OF HOME FUNDS

The minimum amount of HOME Funds that must be invested in a project involving rental housing or homeownership is \$1,000 times the number of HOME-assisted units in the project (# of units x \$1,000 = minimum amount of HOME Funds).

The maximum amount of HOME Funds invested in a project shall not exceed the per-unit dollar limits established by HUD under 24 CFR 92.250. The maximum amount is also limited to the total amount of eligible costs necessary (when combined with other financing and assistance) to accomplish the following:

- (A) Enable the project as proposed to be developed and to operate in compliance with all HOME requirements;
- (B) For rental activities, allow a debt service coverage ratio in an amount sufficient to satisfy the requirements of other lenders providing financing, not to exceed the amount specified in the State Uniform Multifamily Regulations Section 8310;
- (C) For homeownership activities, allow first-time homebuyers to purchase homes with other loans from primary lenders. Note: First-time homebuyers shall be required to obtain financing from primary lenders in addition to HOME financing. Contractors shall use HOME Funds only for gap financing, and only in the amount necessary to provide housing affordability. This limitation on the amount of HOME Funds applies regardless of whether other governmental assistance is provided. Contractors will be required to provide proof that they have a system to determine the need for HOME Funds for each homebuyer consistent with this requirement.

STATE RECIPIENT AND CHDO RESPONSIBILITIES

State Recipients and CHDOs are responsible for administering and completing the local HOME Program, including ensuring compliance with federal overlay and administrative requirements. This responsibility includes implementing the programs or projects as proposed in the application and included as part of the Standard Agreement, compliance with reporting requirements, managing fund disbursement and accounting, preparing work specifications, loan processing, conducting inspections, and ensuring that the affordability requirements are met for the entire affordability period. HOME Funds may only be used for gap financing. Applicants are required to explain in their program guidelines how they will determine the amount of HOME Funds per household. This explanation must describe a methodology that ensures that the amount of assistance is limited only to that amount necessary to provide affordable housing for low-income households.

PROCUREMENT REQUIREMENTS FOR STATE RECIPIENTS USING ADMINISTRATIVE SUBCONTRACTORS

State Recipients using Administrative Subcontractors paid with HOME Funds must follow a competitive Request for Proposal (RFP)/Request for Qualification (RFQ) procurement process to select the Administrative Subcontractor. The key elements of this process are as follows:

- Solicitation by mail to at least three active Administrative Subcontractors in either the CDBG or HOME Programs. We recommend the use of our list of all known Administrative Subcontractors, which is available upon request. The HOME Program makes no representations about those on this list. This list is merely a list of those that are either actively operating HOME programs or have asked to be on this list.
- Include in the RFP/RFQ a summary of the duties to be performed and the methodology for making your selection. If price is not a factor, specify how much funding is available for the contract.
- Allow a minimum of three weeks between the mailing date and the final filing date for the proposal responses. Allow a minimum of two weeks if your RFP/RFQ is faxed or E-mailed.
- If only one bid is received, you must obtain advance State approval (“sole source” approval) prior to executing the agreement with the Administrative Subcontractor.

We recommend that you follow this process now, before identifying the Administrative Subcontractor in your application. You may follow the process after the application is awarded, but if you select an Administrative Subcontractor other than the one identified in your application, you must obtain State approval.

ARTICLE 34

Article 34 of the California Constitution prohibits the construction, development, or acquisition of certain low-income rental housing by a public entity without the approval of the voters. It is the Department’s opinion that, as a general rule, the use of HOME Funds, in

and of itself, will not invoke Article 34 requirements. However, the use of HOME Funds, coupled with other factors, may raise Article 34 issues. Applicants should review this issue with the local government counsel for the jurisdiction where the HOME-assisted housing will be located.

RENTAL ACTIVITIES (BOTH PROJECTS AND PROGRAMS)

When using HOME Funds to finance a rental project (new construction, rehabilitation or acquisition; Attachments 7, 8, 10, 11, or 12) we recommend that all applicants, including State Recipients, refer to the Application Training Manual. The Department recommends that CHDOs obtain a copy of the CHDO Loan Processing Guide to assist them when the Department performs loan closings including CHDO projects. These documents contain information for use when the Department performs loan closings with CHDO or CHDO-sponsored projects. The following additional requirements apply:

Debt Coverage Ratio: The maximum first year debt coverage ratio allowed in a rental project is limited to the ratio required in the State Uniform Multifamily Regulations Section 8310.

Maximum Investment: The maximum amount of Funds allowed in a rental project is limited to the amount necessary, when considered with all other governmental financing, to enable the project to be developed and to operate in compliance with all HOME requirements.

All projects must use the underwriting standards established by HUD CPD Notices 98-01 and 98-02, and the requirements of the State Uniform Multifamily Regulations (commencing with Section 8300).

These special requirements apply to all funded State Recipient applicants for rental projects:

At least 60 days prior to the set-up deadline, and or actual construction start the State Recipient must submit the complete project set-up package including the following documents. Construction must not begin until the State has approved these submittals and setup the project.

- Construction financing sources and uses statement,
- Permanent financing sources and uses,
- Development budget,
- Operating budget,
- Multi-year proforma for at least the required period of affordability, and
- Cash flow analysis
- Such other form that the Department may require to demonstrate the State Recipient's subsidy layering analysis

CHDO Loan Terms:

- The Department has established loan terms and conditions for CHDO projects where the Department is administering the HOME Funds. The Department shall be the beneficiary on all HOME promissory notes and deeds of trust and/or HOME deed restriction documents.

- All HOME loans to CHDOs have 55 year loan terms. Loans shall bear simple interest at a rate of three percent per annum. Interest payments from residual receipts to the Department will be required pursuant to the State Uniform Multifamily Regulations Section 8314.

FIRST-TIME HOMEBUYER PROGRAMS/PROJECTS

In first-time homebuyer programs/projects, other primary financing is required. Primary lenders include private commercial lenders or governmental lending resources that are in the business of providing home purchase loans. It is expected that the primary loan will be fully amortized over a period of at least 30 years, the amount of the primary loan shall be for the maximum mortgage amount for which the buyer qualifies and the monthly payment shall be affordable to the low-income household. HOME Funds shall be the minimum needed to make the unit affordable to a qualified family. The HOME loan must require that all principal be repaid at the end of a fixed period of time.

CHDO Loan Terms:

- The Department has established loan terms and conditions for CHDO projects where the Department is administering the HOME Funds. The Department shall be the beneficiary on all HOME promissory notes and deeds of trust and/or HOME deed restriction documents.
- All loans made by the Department to first-time homebuyers shall accrue simple interest at three percent per year for the first ten years. Beginning in year eleven, interest shall be forgiven at the rate of ten percent of the accrued interest per year until all of the interest is forgiven. All payments are deferred and payment of principal and any accrued interest is due on sale or transfer of the property or at the end of the term. The term for the HOME loan must be the same as the due date of the primary financing or the period of affordability, whichever is greater. The HOME loans are not assumable.

APPLICATION EVALUATION

The HOME Application will not be considered unless the applicant demonstrates the following minimum requirements have been met.

1. the applicant is eligible;
2. the activities are eligible;
3. the application is complete;
4. **for Attachments 10, 11, 12, or 13, the application must include site control documentation as described in the State Uniform Multifamily Regulations Section 8303;**
5. the application was received by the deadline specified in this NOFA;

6. the total amount of funds requested does not exceed the maximum activity amount allowed per application including Administration Costs and Activity Costs (including Activity Delivery Costs) and;
7. the application form has not been altered or modified except to accommodate computer software.

Applicants will be notified if their applications do not meet the minimum requirements.

EVALUATION CRITERIA

Section 8212 of the State Regulations outlines the rating criteria. Applications will be rated and ranked using a two-tier process. The first tier contains 1,000 possible points, of which applicants must receive at least 650 points in order to pass threshold and be considered for an additional possible 300 points. The maximum number of points that an applicant can receive is 1,300.

<u>Criteria</u>	<u>Maximum Score</u>
1. Capability to operate HOME at the local level	Total 300
Performance in prior implementation of HOME (50 points)	
Prior experience of the applicant or administrative subcontractor in administering a HOME or CDBG Program (125 points)	
Prior experience of the individual or individuals or entities responsible for carrying out the activities (125 points)	
2. Community need based on poverty level and overpayment for housing by low-income households as reported in U.S. census data	Total 200
3. Feasibility	Total 400
<u>Project</u> feasibility:	
Readiness of the project	
Fiscal integrity and local market	
<u>or</u>	
<u>Program</u> feasibility:	
Extent to which the program meets a demonstrated community need and demonstrated market for the proposed activity.	
Extent to which the program is ready to be implemented.	

4. Ratio of committed other funds to be leveraged with HOME Funds **Total 100**

Applicants must receive at least 650 points in order to be rated and to receive additional points under the following criteria:

Additional Criteria

1. The local public entity's adopted housing element has been found to be in substantive compliance with State Housing Element Law on the date applications are due to the Department. CHDOs will be awarded maximum points for this criterion unless they submit an application that includes a city or county administrator (Administrative Subcontractor) of their program or project, in which case they will receive points based on the status of the administering jurisdiction's housing element.

Total 200

2. The application proposes activities within a jurisdiction whose formula allocation is being reallocated to the Department

Total 50

3. The application is for activities in a rural community

Total 50

The Department will rate, rank and fund applications based on its review of all eligible activities for which funds are requested in an application. The Department will rank all program applications separately from all project applications. Applications with two programs will receive a single score, based on a pro-ration of the individual activity scores. Applications with one program and one project will be ranked separately; either, both, or none of these activities may be funded. The available funding for programs will be established based on the proportion of all funds requested for programs divided by the total funding requested. The available funding for projects shall be similarly calculated. At least 40% will be made available to programs; at least 40% will be made available to projects. Please note, however, that the Department is restricted by State HOME Regulations from funding any application with an initial score of less than 650. Any unused project funds will be made available for programs, and any unused program funds will be made available for projects.

Applications will be funded in descending order. Applications that qualify for CHDO set-asides will be funded first based on their scores. Once the set-aside has been achieved, all remaining applications will be funded based on their scores relative to all other applications with the highest scoring application funded first.

In the case of a tie score, the application demonstrating the highest poverty level will be funded first. Final funding decisions will be made by the Deputy Director of Community Affairs. The decision of the Deputy Director is final.

APPLICATION TRAINING WORKSHOPS

Potential applicants are invited to attend one of the two Application Training Workshops and encouraged to carefully study the Application Training Manual (and, if applying for a rental activity, the State Uniform Multifamily Regulations, Title 25 Section 8300 – 8316). Space at these workshops is limited to those who pre-register using the form in the Early Notice or in this NOFA as Appendix D. Those who have already registered using the form provided in the “Early Notice”, mailed August 30, 2003, need not register again. Both workshops will begin at 8:30 a.m. (with registration from 8:00 a.m. to 8:30 a.m.) and end at 4:00 p.m. Individual project consultations are available during lunch and from 4:00 – 5:00 p.m. The two one-day workshops will be held on October 8 & 9 in Sacramento.

This NOFA, the Application Training Manual, Application and the State Uniform Multifamily Regulations will be available on the State HOME Program web page at www.hcd.ca.gov/ca/home/.